

Notice for the Sitting of Parliament on 2<sup>nd</sup> March 2010

By Mr Viswa Sadasivan (Nominated Member)

## Speech for Debate on the Budget Statement

### Preamble

1. Mr Speaker, Sir, I thank you for this opportunity to speak on the Budget Statement.
2. I would like to comment on the strategy of boosting productivity, and deepening corporate capabilities of SMEs. But before that, I would like to talk about whether the budget provides for “inclusive growth and a broad-based increase in the incomes of citizens...” - an expressed goal of the ESC.

### Not Inclusive Enough

3. Mr Speaker, Sir, while it is logical and sensible for the annual government budget to facilitate economic growth and the creation of jobs, and better jobs, it is also a reasonable expectation that the budget will provide for the “here and now” concerns and welfare of Singaporeans who are struggling to make ends meet. I am afraid that for this group - the budget does not provide comfort. I am talking,

of course, of those in the lower income households. Many in this group:

- Don't have jobs and find it hard to gain employment
- Are unskilled or very lowly skilled and are therefore barely earning enough to make ends meet given the rising cost of living
- Have disabilities or are suffering from chronic ailments that are physically, emotionally and financially debilitating
- Have to care for elderly parents and/or disabled persons even though they barely earn enough to support themselves or their immediate family
- Don't own a property because they simply cannot afford to.

4. The latest Household Expenditure Survey released by the Department of Statistics highlights 3 findings that are instructive:

- When you compare the average monthly household expenditure according to type of home, those in larger homes have a significantly higher level of expenditure that increased over the years i.e. from 2002/2003 to 2007/2008. For example, for landed property residents the expenditure increased by 3% from \$6,992 to \$8,115. But for residents of 1 and 2 room HDB flats the average expenditure dropped by 0.7% over the years from \$993 to \$959.

- Secondly, households in 1 and 2 room HDB flats spent proportionately more on healthcare - 8.2%, compared to households in other home types which spent between 4.3% and 6%. According to the Department of Statistics, “this reflects the higher proportion of households with at least 1 elderly person in the 1 and 2 room HDB flats than other housing types”.
  - Thirdly, when you look at the average monthly household income, those in the lower income quintile saw a significantly lower income appreciation over the years compared to those in the higher income quintiles. For example, between the years 2002/2003 and 2007/2008, the average monthly household income of those in the 81<sup>st</sup> to 100<sup>th</sup> quintile grew by 6.8% from \$13, 288 to \$18, 472, while that of those in the 1<sup>st</sup> to 20<sup>th</sup> quintile grew by just 2.9% from \$1,104 to \$1,274.
5. In gist, what this tells us is that the lower income households were forced to tighten their belts over the years even though their average monthly expenditure was already low to start with in 2002/2003 - barely one-seventh that of landed property households. Yet, the lower income households have been shouldering proportionately higher responsibility in caring for the elderly in their households, as evidenced in their much higher share of healthcare expenditure. And to add to this, the average monthly income of those in the lower income group, which in 2002/2003 was just one-twelfth that of the top earners,

rose by a much smaller percentage over the years compared to the top earners.

6. The question is what does the budget have that would give the lower income households comfort, not to mention relief?
  - Property tax savings of \$240 or in that ballpark, a year - this applies only if you own a property.
  - Increase in parent relief for taxpayers who are living with and/or supporting their parents, grandparents or handicapped dependants - though the quantum of the relief itself is significant, it is not likely to translate into significant dollar savings as it is a relief and not a rebate. Also, it is unlikely that this would benefit the less well-off - as the lower 70% of Singaporeans have not been liable for income tax with the introduction of GST.
  - Increase in course fee relief or expansion of wife relief to spouse relief - this is useful only if you are eligible or are in a position to attend a course or are employed.
  
7. The point I am making is that the budget did not go far enough in meeting the objective of being more inclusive and ensuring we don't end up leaving fellow Singaporeans behind. They too have their aspirations, if not for themselves, for their children. I would have liked to see more initiatives that will give some direct form of assistance to this group of Singaporeans as they are

struggling to catch-up or simply get on their feet. And this assistance should not be restricted by one's ability to get employed or own a home. We already have some forms of direct assistance - we need a broader range of such interventions, and they should be more substantive. Examples of such direct forms of assistance are:

- Cash grants, restricted albeit, that can be used in the payment for essential services such as healthcare, water and electricity.
- Monthly coupons for rations, transportation or other necessities.
- Rental rebates.

8. Even though I am aware of our government's belief that it's better to teach one to fish instead of giving him a fish, I must admit I was surprised not to see any of these direct forms of assistance in this year's budget as we used to have them in some form in our previous recession budgets.

### **Precondition for Productivity Measures to Work**

9. Mr Speaker, Sir, I would now like to talk about what appears to be the key thrust of this year's budget statement - raising productivity through upgrading skills, innovation and economic restructuring. The core argument for this is intuitive and the initiatives appear well thought-through and should be supported.

10. The question is: will these measures work? Why will it work this time if in spite of all the systematic measures in the past 38 years we've only managed to get productivity up to 1% and then appear to have hit a stone wall? The National Productivity Board or NPB was set up in 1972 and according to the website this was the mandate:  
“...to improve productivity in all sectors of the economy. Increasing individual and company productivity at all levels was a government priority, given Singapore's full employment picture and relatively high wages...The National Productivity Board followed a "total productivity" approach, which emphasized productivity measurement, product quality, a flexible wage system, worker training, and assistance to small- and medium-sized enterprises....”
  
11. How different is this, in substance, from what we are seeking to do and achieve today? And true to form, our government has been relentless in pushing productivity growth over the decades - with initiatives after initiatives being fired at the government and private sectors. From generous funding for training through the Skills Development Fund or SDF, to incentives for technological upgrading, to a mushrooming of “Suggestion Schemes” and Quality Control teams that appeared to be in a constant state of competition using the proverbial “fish-bone diagram”. And of course there was “Teamy” - the Productivity Bee. Singapore was clearly the leader in the

region, if not on a broader ambit, in identifying productivity as a key determinant of sustainable economic growth. Yet, despite this formidable first mover advantage and sustained, intensive “total productivity approach” we have not managed to push beyond 1%.

12. According to the ESC Report, the USA, UK, Sweden, The Netherlands, Finland, Japan and Hong Kong have done better than Singapore from 2006 to 2008 in productivity, whether it be in the Services sector, Manufacturing or in Construction. From what I have gathered, with the exception of Japan, these countries have not invested as much resource per capita and certainly have not had such structured programmes and initiatives as Singapore in promoting productivity. So, what is it that they seem to have that we don't?
13. I believe the answer may lie in three words:
  - Culture
  - Attitude
  - Self-efficacy
14. The many initiatives spelt out in the budget are certainly useful and will contribute to turning the tide in productivity. They are at best a “sufficient” condition. The “necessary” condition for Singapore to achieve the desired productivity growth would be a fundamental shift in the culture, attitude and self-efficacy of our indigenous

workforce. Again, it is not that our government has not highlighted the importance of this in the many reminders of “taking ownership” and workers being “empowered” and the need for us to “think out of the box” as we “innovate”. But it has not seemed to work on the ground. Why? In my view, it is most likely because:

- When we think out of the box, we end up thinking within a larger box - and quite often this is a result of “group think” and fear of the consequences of being too radical
- While we desire to empower, the workplace culture does not quite celebrate the spirit of “taking charge” when not anointed, or speaking “out-of-turn” which is often seen as being out-of-line. There is not much incentive to take initiative and do more than your fair share at work, and worse, risk “screwing up”. In fact, when you volunteer for a task you are not assigned, there is a good chance you could be seen as trying to “suck up”, “sabo” (which in local parlance is short for “sabotage”), or simply being a “yaya” which means “show off”
- We are only now beginning to feel comfortable asking “why”, but still a long way off from asking the crucial question for innovation - “why not”
- We have a modest, almost self-effacing culture where we are told that if our product or idea is good enough it should speak for itself - there is no need for us to sell or even explain its value proposition. But today we

know that if you can't persuade on the value proposition of your idea, it is as good as not having the idea in the first place.

15. So, the question is how do we imbibe this culture, attitude and self efficacy in our workforce? Yes, we can send them for training in lateral thinking and taking charge. This may help but certainly won't do the trick. Firstly, we need to imbue a culture in organisations that encourage ownership, risk taking, and a genuine desire to improve oneself. This will happen if it is an empowering work environment where the employee feels a greater sense of ownership of the larger process and the organisation instead of just his task. The leadership role of CEOs and top managers is crucial - in being exemplary and setting the tone. I recall how the late Mr Nithya Nandan, who was an iconic leader in our union movement, motivated a large number of workers to upgrade their skills by setting the example and going for training himself. Mr Liew Mun Leong, Group CEO of CapitaLand, in a recent speech entitled "Fish Rots from the Head", lamented poor service standards. He asserted that it's leadership that makes the difference. I quote: "...the workers in our Japanese banks, at McDonald's, IKEA, BreadTalk, Toast Box and SIA are mostly Singaporeans. What makes these local workers perform better in their respective roles than their counterparts elsewhere? I think it is because their CEOs and top management have taken the lead to make it happen...." It is therefore important

that more is done to get CEOs to believe in productivity and be committed to what it takes.

16. The second thing that is needed is to single out employees who display the desired spirit - they must be celebrated, not just recognised. Finally, these values must be imbibed in our young through our education system where they are encouraged to be curious, to question, challenge, take charge and lobby for what they believe in. This could be inconvenient and possibly disruptive - but if we are serious about pushing productivity up and if our economic survival depends on it, then it is well worth it.
17. I urge DPM Teo's Council to look seriously into these factors.

### **Sparking a Value-Innovating Culture**

18. Mr Speaker, Sir, the third and final aspect of the Budget Statement that I would like to comment on is "building capabilities through partnerships". The Minister for Finance said, "...we must build and maximise the synergies amongst companies in Singapore, both local and foreign. The MNCs, as well as smaller global enterprises, are growing their base in Singapore and expanding out from here into Asia. They are valuable partners to our local firms, helping them to plug into world markets and thereby

scale up their operations, while collaborating with them to develop new, cutting-edge competencies....”

19. This is an excellent initiative and something that needed to be articulated. The Singapore government, especially in recent years through SPRING Singapore and IE Singapore to a lesser extent, have demonstrated commitment in helping SMEs. While one could argue that there is room for improvement, we must acknowledge that the Singapore government does significantly more than many others to help SMEs grow. In fact, I feel our government is doing this to a fault - to an extent that we could unwittingly be creating a “handout” mentality on the ground. Too much of government help can blunt creative impulses and much needed survival instincts in entrepreneurs. Organisations such as SPRING Singapore and IE Singapore, as well as EDB, have in their own ways been connecting SMEs with MNCs based in Singapore and abroad. Likewise, industry based Statutory Boards such as MDA, IDA and MPA have been playing their part. However, these efforts have been ad hoc and not part of a larger, strategically driven plan. This new initiative spelt out in the budget is designed to do this.
  
20. In this regard, I have three specific suggestions. Firstly, I feel it is critical that Singapore’s Temasek-linked companies or TLCs become the standard bearers for this initiative. We have TLCs in virtually every key sector of the economy. I believe each of them can do more in

proactively seeking out local SMEs to invest in, undertake joint projects with, or partner when pitching for deals overseas. From what I understand, this hardly happens. Is it because we don't have enough SMEs which are good enough to partner? I do not buy that argument - I believe in each industry cluster there is today a critical mass of home-grown SMEs that have the calibre or at least the potential to grow. What many of them need is that crucial break. I am certainly not talking about charity or national service here. These should be commercially driven business decisions, by and large, but with a conscious effort to seek out promising local SMEs to groom, invest in, or partner. In fact, experts argue that larger companies benefit from partnering smaller firms. Beijing-born Professor Huang Yasheng, an expert in political economy and international management from MIT, was in Singapore earlier this month to give a lecture at the Civil Service College. He had this to say: "...academic research shows overwhelmingly it is the small companies that create new technologies and new products. Big companies are innovative only when they acquire small companies...."

21. Secondly, the government, through SPRING Singapore and IE Singapore and other industry statutory boards, should develop a 'match-making' system - this should be the role of the government i.e. the facilitator. The chambers of commerce and the industry associations should come on board to contribute to the 'match-making'. It would be

useful for two other types of bodies to be co-opted to help propel this MNC-SME partnership initiative: professional associations that can provide the leadership in some of the partnerships; and management consultancies that could be on retainer to help in prompting and structuring the partnerships. To make the process exciting, there could be a quarterly Forum where SMEs with bright business ideas can pitch them to interested TLCs and other MNCs for investment or partnership.

22. The third suggestion is to innovate value by tapping on the specific strengths of entities in the MNC-SME value chain. There are essentially three critical components in the enterprise value chain that are related but autonomous activities:

- ***Idea generation*** - some of the best ideas come from individuals or companies that are less corporate in the way they work. There must be a process of generating bright, exciting ideas and, very importantly, ensuring they don't go unspotted
- ***Idea execution*** - a fundamental difference between creativity and innovation is that the latter is about execution which in turn requires discipline, drive, and a sense of realism, something which MNCs and larger SMEs are likely to be better equipped for
- ***Idea selling*** - in today's crowded, noisy environment innovative marketing often decides whether the product lives, dies or is still-born. This is an area

where SME ideas combine well with the financial and distribution muscle of MNCs.

23. Having said all this, I must caution against overly structuring the process or even making them too linear - a good measure of chaos is good and should not be meddled with. And I am certainly not advocating the creation of a steering committee to oversee this process to ensure results. What I am saying is that it is useful when you have different players, for all to know and accept the role of each player. And this role is based on the strength of each player. This could be articulated clearly in the initial meeting after which it becomes a round-table working mode that will allow leaders to be thrown up naturally.
  
24. Let me end this discussion on MNC-SME partnerships by cautioning that it should not result in the entrepreneurial spirit in promising SMEs getting stifled - and this could happen if we are not careful, and especially if we push too hard in order to meet KPIs and targets. As Professor Huang Yasheng puts it, "...the 'orderly' environment here dulls the incentive to think out of the box. Everything is very well organised. Entrepreneurship typically happens in a more chaotic environment...."

## Conclusion

25. Mr Speaker, Sir, let me conclude my speech by reiterating that the government is on the right track by focusing on productivity as a key means to putting the Singapore economy on a different growth curve, less dependent on foreign workers. Similarly, the initiative to promote MNC-SME partnership is a good one that will give results if managed well, or more accurately, if not overly managed. But in both cases, we need to go beyond creating practicable measures - we need to deal with the social and psychological barriers that inhibit or, worse, prohibit the players from participating. We need to be wary of the temptation to deploy technical solutions and gain a false sense of accomplishment, when the problem is attitudinal in nature. The truth is we need both - technical measures as well as ways to shift attitude and culture.
  
26. Several years ago I attended a conference at Raffles City on Knowledge Based Economy, or KBE as it was often referred to. There were many presentations trying to explain to the audience of CEOs what KBE was all about. For me, the penny dropped when Minister George Yeo in his speech described it as an attitude, an orientation, and less about harnessing the power of technology and computers. To illustrate his point he used an analogy that's been etched in my mind since. He said, and I paraphrase, it's about

making the bricklayer feel he is building the cathedral and not just a wall.

27. This is where the solution lies. Whether we want to push up productivity, or encourage MNCs to seek out local SMEs to partner and grow together, or find ways to provide relief to our less fortunate fellow Singaporeans - we need to go beyond technical definitions and create an environment that inspires people; instils enough pride in them to want to be better. And this translates to a desire to upgrade, to challenge oneself, reinvent and innovate, and yes, to have the conviction to ask “why not” and do the right thing - and all this because you genuinely want to do it and not because of incentives, because incentives cannot and should not always be there.
  28. For our economy to grow, indeed, for our society to ride through the challenges and come out stronger and flourish, we need more bricklayers feeling they are building cathedrals, not just walls. We need to create the environment for this to happen naturally.
  29. On that note, Mr Speaker, Sir, I support the Budget.
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